

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

~~SECRET~~ (GDS)

December 14, 1972

MEMORANDUM FOR: DR. KISSINGER

FROM: HAROLD H. SAUNDERS *Handwritten initials*  
SAMUEL M. HOSKINSON *Handwritten initials*

SUBJECT: South Asia--Pending Decisions and  
A Strategy

This memo is written to relate two sets of decisions: (1) Recent Indian statements have brought the process of rebuilding a US-Indian relationship to a point where it seems wise to take a look at next steps and to establish control over their timing. (2) We will have to make good on the promise to release Pakistan's blocked military equipment before long, and that step will have to be related to the dialogue with India (as well as with the Congress) if we are to avoid upsetting the process of rebuilding there. How we deal with these issues will have much to do with determining where this Administration comes out in South Asia over the next four years.

Two action memos are attached:

--At Tab A is a possible memo for the President suggesting a strategy for dealing with India and Pakistan over the next few months.

--At Tab B is a possible memo for the President on how to release Pakistan's blocked military equipment and how to relate this step to the gradual process of putting the US-Indian relationship on sounder ground.

The Situation

It has taken almost all of the year since the war to get into a position--on both sides--where it is now possible to consider seriously building some real momentum into the process of normalization.

India. To review, these are the main steps in 1972 that have brought us to this point with India:

~~SECRET~~ (GDS)

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

~~SECRET~~ (GDS)

- 2 -

--The first post-war move was the expression of willingness in the President's foreign policy report in February to carry on a "serious dialogue" with India about our problems and future relationship. In retrospect, this may have been premature since the Indians were at that point unable to put aside the past and focus on the future.

--In the spring came the series of gratuitous and offensive Indian criticisms, especially concerning Vietnam.

--Secretary Connally's visit to New Delhi and Simla in early July was a significant gesture. It produced no breakthroughs, but his discussions were reasonable and he was able to get across the point that there would be no hope of improving relations as long as the Indians continued to hit at us on Vietnam.

--A warm exchange of messages and toasts was arranged in August and September on the occasion of India's 25th anniversary celebrations. But this, like debt rescheduling, was drowned out by shriller negative noises.

--Just as we were considering a decision on debt relief as a next step at the end of July, Ambassador Keating reported his difficult departure talk with Mrs. Gandhi. This was followed by the anti-CIA campaign which the Indians attempted to use to divert popular attention from the real causes of increasingly evident economic and social problems. In September came Mrs. Gandhi's Foreign Affairs article and report of the wheat seed shipment to North Vietnam.

--Since late October, the Indians have gradually shifted from sullen hostility to a public posture of conciliation. By this time the anti-CIA campaign had about reached the end of its course and, partly in our own self-interest in maintaining the aid-giving consortium framework for debt management, we went quietly ahead with the \$29 million participation in the IBRD debt rescheduling.

--Immediately after the President's re-election, Mrs. Gandhi sent a surprisingly warm message of congratulations. The President's response, with the added frill of a birthday greeting to Mrs. Gandhi, struck a responsive chord in New Delhi.

~~SECRET~~ (GDS)

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

~~SECRET~~ (GDS)

- 3 -

--Most recently, the Indians have made three public statements-- by Mrs. Gandhi, President Giri and Foreign Minister Swaran Singh--expressing a strong interest in improving relations with the US. Mrs. Gandhi has now followed with a personal letter to the President along the same lines. [Both Singh statement and Gandhi letter are at Tab C.]

This recent shift in Indian attitude seems to stem from various factors. The psychological alienation of Mrs. Gandhi and some of her inner circle continues, but at the same time the importance of the US to India may be playing a bigger role in their thinking. For instance, economic difficulties, including food shortages, are probably causing them to realize that they might have to seek food and other commodity assistance from the US--or at least financial assistance indirectly related to food needs. India's lack of economic progress has probably restored perspective on India's continued need for development loans. The Indians may also be trying to offset pressure from Moscow for an even closer relationship and, by emphasizing their independence from the USSR, to keep open the way for normalization of relations with China. Another motivation may be to keep us from getting too close to Pakistan through re-establishment of cordial relations with us. Finally, there are some indications that the Indians may be looking for a future role in Southeast Asia.

Pakistan. Our relationship with Pakistan over the last year has been much less complex and convoluted. The Paks have been grateful for the role we played during the war and for the fact that we have seen them through a hard first year of adjustment with substantial (\$235 million) economic assistance. President Bhutto has been mainly engaged in the on-going process of redefining residual Pakistan's relationship with India and Bangladesh and in reconstructing his country's polity, economy and policy. In the future he hopes to also reconstruct Pakistan's traditional three-cornered balancing act between China, the USSR and US. A certain amount of tension seems almost bound to creep into our relations as a result of the process.

India-Pakistan-Bangladesh. It should finally be noted that, while India and Pakistan have not yet been able to normalize their relations, some important progress has been made in that direction. At Simla last July, the Indians agreed to a political framework for resolving their differences with Pakistan and in principle to return the 90,000 prisoners they hold and

~~SECRET~~ (GDS)

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

to withdraw from Pak territory. Recently, a limited number of POWs have been exchanged and, after a hold up over delineation of the "line of control" in Kashmir, the Indians have begun withdrawal from Pak territory. It seems reasonable to assume that once Bhutto recognizes Bangladesh--and he is heading in this direction--the release of the remaining POWs under joint Indian-Bengali control could follow.

### The Decisions Ahead

Before going on to discuss what steps might be taken next, it is worth reviewing the decisions that lie ahead for the President in the foreseeable future relating both to the provision of arms and to economic assistance. The most immediate of these decisions concern commitments made prior to but suspended during the war, but some relate to decisions on new commitments.

On the economic assistance side the issues break out as follows:

--With India, there is the "suspended" \$87.6 million in economic assistance which had been committed but not disbursed. We also decided last December not to go ahead with any of the then programmed but not yet committed new development or PL 480 assistance. The Indians have regarded these moves as political. The "suspended" \$87.6 million has especially become a symbol to them of the crisis in our bilateral relations. They feel that some movement on at least part of this problem will be necessary before long if we desire to sustain and accelerate the improvement in Indo-US relations. There is also the "rupee problem" which involves finding a satisfactory settlement of the \$4.8 billion worth of rupees which we hold from the repayment of and interest earned on past loans but of which we can only spend a small portion. A solution on this will take time.

--With Pakistan there have been no aid issues until recently. Since the war we have provided \$235 million in economic assistance--\$60 million in development loans, \$50 million in debt rescheduling, \$105 million in PL 480 (1, 350,000 tons of wheat), \$10 million in technical assistance, and \$9 million in grant food aid for displaced persons. The Paks had hoped to obtain another 150,000 tons of wheat on concessionary terms and, although we pointed out that because of our own shortages this year we could not do any more right now, they are a bit upset. In any case, their pipeline is full, and they have been promised a review in early 1973. Substantial new development assistance is being programmed for next year also.

~~SECRET~~ (GDS)

- 5 -

On the military assistance side the issues break out as follows:

-- With Pakistan we have a series of past commitments for military supply to dispose of which have been held up by the embargo imposed during the war. The most pressing is about \$1.7 million worth of equipment which legally belongs to Pakistan and should be released. In addition, there is \$1.2 million in equipment involved in cases imposing severe financial hardship on American firms, and if there were a "clean-up" for Pakistan's benefit it would be logical to help these American companies too. More important is the so-called "one-time exception" for lethal end items which we granted in 1970 and which was still under negotiation when the East Pakistan crisis erupted. At that time the Paks had decided to purchase 300 APCs at a cost of \$13 million and had put down \$1.3 million on them. They were undecided, however, on about \$60 million worth of replacement fighter and bomber aircraft. Recently the Paks have begun to push for some movement on these aspects of the military supply problem and may soon come up with a shopping list for new equipment that could run as high as \$200 million. At a minimum they would like an assured flow of spares.

-- With India, there is \$19 million worth of communications equipment (including a \$17 million FMS credit) to tie together an earlier-supplied radar system aimed at China which has been held up by the embargo. The main American private supplier has suffered severe financial hardship through no fault of its own but could still probably come out all right if we were to do something early in the year. The Indians, however, would gladly forego this assistance to keep us from providing any, even previously committed, military assistance to Pakistan. Other private American suppliers have about \$3 million worth of contracts for spares and non-lethal end items, and these should be included in any clean-up operation.

#### Next Steps--A Possible Strategy

There is no question that we should continue to supply substantial economic assistance to Pakistan, meet our past commitments on military supply and give sympathetic consideration to new Pak requests for arms. The problem is how we fit this approach toward Pakistan into a strategy toward India over the next several months, since the two are unavoidably intertwined and if not played carefully will tend to cancel each other out and damage our interests in both countries.

~~SECRET~~ (GDS)

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

~~SECRET~~ (GDS)

- 6 -

The first question on strategy toward India is how far we want to go with the Indians down the path to normalization now. Assuming that it is not desirable to move too quickly but that there is reason to maintain a reciprocal process of improving relations, the purpose here is to examine exactly what our options for next steps are and how they should be timed.

One basic general question on the timing of any future US moves to improve India-US relations is how we relate these to the process of postwar settlement in South Asia.

--One approach would be to sit tight and do nothing of any real consequence until the Pakistani POWs are released and Indian troops are withdrawn from Pakistan. We would not inform the Indians of this linkage since that would be highly counter productive, but our actions would speak for themselves. Our main purpose would be to demonstrate to the Chinese and Pakistanis beyond doubt that we stand behind the principles we stressed at the UN during last year's crisis.

--An alternative approach would be to pace our moves to improve relations with India more in relation to progress in our own bilateral relations with India. As far as the process of normalization in South Asia is concerned, we would recognize that the Simla agreement along with the partial prisoner exchanges and the prospect of early Indian troop withdrawal from Pak territory are enough to justify some serious steps. Using this criterion, we would feel free to move ahead gradually in reciprocal moves with India and make whatever decisions are required in that context. Large steps like lifting the "suspension" on the \$87 million would still be further down the path in any case. If a breakthrough in the South Asian settlement process came soon, releasing the \$87 million could follow it by coincidence. If the settlement process dragged on, we would not feel constrained from moving ahead with India if Indo-US relations seemed to warrant.

We do not, however, have to make a choice between these two courses yet since, in any event, we will want to start slowly with no more than talk about our future relationship and, if that is satisfactory, some limited tangible actions relating more to the past than the future. The "suspended" \$87 million is an issue for the future in any scenario and we will have to cope with its relationship to prisoners and troop withdrawal only if those issues drag on.

In any event, if we are to rebuild our relationship with India on a more solid foundation over the next four years, it is important that we do so on a reciprocal basis that stresses mutual respect for each other's concerns and without abandoning Pakistan. We have laid out below a measured and

~~SECRET~~ (GDS)

~~SECRET~~ (GDS)

- 7 -

gradual approach keyed to Indian response and movement in the postwar settlement between India and Pakistan. If you wanted to minimize the linkage to the South Asian settlement, you could simply speed up the timetable below:

Phase I--December-January

a. In December, respond to recent Indian signals of a strong desire to improve relations--particularly Mrs. Gandhi's letter in late November--with a proposal to open a serious high-level discussion between special representatives about our future bilateral relationship. The purpose would be to see if the Indians are really prepared to move with us on a realistic basis or are just engaged in another public relations exercise. It could be presented in the context of finally opening the "serious dialogue" the President called for last February in the annual report.  
Procedurally:

--The President could make the proposal in a general way in his response to Mrs. Gandhi's most recent message.

--You could give Ambassador Jha the President's letter and discuss with him in more detail what we have in mind.

b. In early January if the Indians wanted to proceed, you could meet with Jha to work out (1) who should carry on the discussions and (2) the agenda. The discussions should be thorough but would not have to be elaborate.

--The talks could either take place here between you and Jha, or the Indians might wish to send an emissary like former Foreign Secretary T. N. Kaul to meet with you. If he is to come here as ambassador, there would be some logic in that and he is close to Mrs. Gandhi. Another variation would be for us to send someone to New Delhi to talk directly with Mrs. Gandhi and her ministers. (The only person we can think of now, other than yourself, who could do this job would be John Connally, who under difficult circumstances last summer managed to strike a rapport with Mrs. Gandhi and still get across the basic points we wanted to make.)

~~SECRET~~ (GDS)

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

~~SECRET~~ (GDS)

- 8 -

-- The informal agenda would be significant because it would tell the Indians we are prepared to discuss certain issues at some point in the future and give them a sense that real progress is possible if they want to come along.

What's the agenda?  
During this period, we should have named our new ambassadors to Pakistan and Bangladesh, as well as to India.

d. During this period also we would suggest certain limited practical steps that might be taken on both sides to maintain a modest momentum of reciprocal moves. Examples include their releasing blocked rupees for cultural exchange and completing agreement on the status of the American school in Delhi.

Phase II--Late January through March

a. The special representative talks would open with the first subject on the agenda which would be discussion of our respective views on key subjects which affect our relationship. Early political discussion is necessary to set a framework for other steps we want to take like releasing the blocked Pakistani military equipment. The subjects for consideration would include essentially those which Foreign Minister Singh mentioned in his statement to the Parliament:

What is that?  
expand  
-- What the US expects from India and what India wants from us in the future.

-- US and Indian interests in South Asia where they merge and diverge especially on such questions as Pakistan and Bangladesh. We should discuss openly what each of us would like to see in Pakistan and even air the question of military supply, at least enough to set the stage for a clean-up exercise on blocked military equipment.

-- India's relations with the other great powers, how the US plans to relate to the USSR and PRC and how those relationships affect India.

-- US economic and military assistance policies in South Asia. While in this first discussion we might want to be very general, we would want to set the stage for the "clean-up exercise" on military items and might agree that Maury Williams would take up the economic aspects of this issue in detail later in the spring.

~~SECRET~~ (GDS)



~~SECRET~~ (GDS)

- 9 -

--India's role and our future relationship in the rest of Asia, especially post-war Southeast Asia. The Indians have taken exclusion from participation in a Vietnam cease-fire supervisory role in stride, but they no doubt would like to participate in any general conference on Southeast Asia and would like to lead the region into "non-alignment." If this concept causes us problems, then we should let the Indians know exactly how we feel and why so as to minimize misunderstandings later.

- b. If the high-level "dialogue" produced a mutually acceptable clarification of intentions and attitudes, our next move might be to at least begin a clean-up of past military and economic assistance commitments to both India and Pakistan.

For India a clean-up would mean:

--Provision of \$19 million worth of communications equipment (\$17 million FMS credit) to complete the Peace Indigo radar system and about \$3 million worth of spares and non-lethal end items from private suppliers.

--Establishing a procedure and a date later in the spring for serious talks on a final resolution of the "rupee problem."

--[The final issue on this list is the question of lifting the "suspension" on \$87.6 million in economic assistance. We are bracketing this to underscore the fact that there is a choice of putting this step off. If India-Bangladesh had released the Pakistani prisoners and if Indian troop withdrawal were completed, one might choose to go ahead with this step at this point. If not, there would be a choice of dealing with it later when talks on our economic relationship begin.]

With India we would stress that we are simply clearing away the debris of the past and these moves do not necessarily imply anything about future decisions on new economic aid or military assistance to either India or Pakistan. That, we would say, depends on India's reactions to our clean-up actions and how the general situation in the area evolves.

~~SECRET~~ (GDS)

~~SECRET~~ (GDS)

- 10 -

For Pakistan a clean-up would mean:

--Immediate release of about \$16 million worth of military equipment, including the 300 APCs, for which commitments already made.

--While this goes beyond mere "clean-up," this would be the time to give a firm indication that we intend to provide about \$60 million in development assistance during the next fiscal year in addition to the about \$25 million of debt rescheduling we are already committed to.

--It seems unlikely that our foodgrain stock position will permit us to provide more grain at this stage, but we will in any case be starting conversations with the Paks about this time on the FY 1974 PL 480 program.

--[As with India, there is an optional item. It would be possible to reopen talks on the remainder of the one-time exception (about \$60 million worth of equipment, probably aircraft). Logically, it would be better to defer this until we are ready to discuss the question of longer term military supply. The Paks may not be interested in these elements of the one-time exception. They may prefer others.]

With the Paks we would stress that these moves were a demonstration of our continuing support for them even as we move to improve our working relationship with India.

c. Once the whole clean-up was implemented, we would sit back and assess the impact of these steps on new economic and military assistance.

From India we would look for:

--Moderation in government statements and actions concerning our fulfilling of past military supply commitments to Pakistan. This would be a demonstration of their willingness to accept a US relationship with Pakistan.

~~SECRET~~ (GDS)

~~SECRET~~ (GDS)

- 11 -

- Acknowledgement of the contribution of US economic assistance.
- Continuation of restraint on Vietnam and other sensitive foreign policy areas.
- Progress on breaking the logjam on cultural and educational exchanges.
- Signals of a desire to continue the normalization process with us.
- Further acts of reconciliation with Pakistan.

From Pakistan we would look for:

- Understanding of our interests in maintaining good relations with both India and Pakistan.
- Continuation of their realistic attitude toward the problems of redefining relations with India and Bangladesh.

Phase III--Spring

Once those returns were all in we would have reached the point where another stock-taking and set of decisions on where we were going would be in order. At this point--probably late spring 1973--the main decisions before us would be (1) new military assistance for Pakistan and (2) new economic assistance for India.

The success of any scenario like this cannot, of course, be guaranteed since there is a sizeable degree of unpredictability built into it. On the other hand, it does provide a measured but steady approach to the problem of rebuilding India-US relations without abandoning Pakistan or our principles. Moreover, the critical element of timing both with regard to the impact of our actions toward Pakistan or India and the pace of the India-Pakistan settlement process, would be under control.

~~SECRET~~ (GDS)

~~SECRET~~ (GDS)

- 12 -

RECOMMENDATION:

1. That you send the memo at Tab A to the President seeking his decision in principle to the above outlined scenario and permission to implement Phase I, a and b (proposal for serious discussion between special representatives).
2. That you send the memo at Tab B to the President on how Pakistan's blocked military equipment will be handled under this scenario.

~~SECRET~~ (GDS)